Air Traffic Organization

Implementation Strategy

March 2005

Introduction

The document was prepared by the Air Traffic Organization's (ATO) Transition Team to provide initial, high-level information about the establishment, phases, and schedules for the implementation of the ATO. This document will be archived on the *ATO Online* (http://ato.faa.gov) and periodically updated as the implementation of the ATO continues.

Why is there an Urgent Need to Change?

Charting the Next Century of Flight
The challenges facing aviation require nothing less than transforming the system. Today, securing safe air travel, navigating industry uncertainties, and managing new technologies require that we embrace change as never before.

While we have made great strides in improving safety, enhancing security, and increasing efficiency, we must persist in our efforts to build an aviation system for the next century of flight. As the aviation community adjusts to changes in demand and economic conditions, so must the Federal Aviation Administration (FAA) make mid-course corrections to address new realities.

Several factors affect our ability to meet our ambitious goals of the future, some of which are outside the control of the FAA but also drive the need for change. These factors include:

- **Economic State of the Industry**
  - The financial difficulties facing the airlines and manufacturers impact FAA, because the primary source of the FAA's revenue comes from the Airport and Airway Trust Fund (AATF) from excise taxes and interest. When the demand for air travel is down, so are revenues available to FAA from the AATF.

- **Fiscal Priorities of the Nation**
  - Large capital investments in facilities, infrastructure, and agency human capital needs will depend largely on our ability to closely link budget to performance and, also, in part, the ability and willingness of Congress to fund such proposed performance targets.

Why did the FAA create a new Air Traffic Organization?

The Federal Aviation Administration was enabled by the Congress and directed by Presidential Executive Order 13180 in December 2000 to create and implement a Performance Based Organization (PBO) to be known as the Air Traffic Organization. The FAA began designing the ATO in 2001. After an interruption of about a year because of 9/11, the design was completed and implementation began in 2003. With the establishment of the ATO, the FAA has inherently strong incentives and challenges to manage for service results. The ATO will provide airspace services that are valued by our customers, implement advanced cost and performance tools and techniques, and focus on employee performance and accountability.

What is the Structure of the ATO?

The ATO is designed to operate as a matrixed organization. As such, decision making and support will be institutionalized through horizontal integration. Horizontal integration breaks down organizational "stove piping" and optimizes workflow across service unit boundaries through sharing expertise. Such a matrix of collaboration between personnel assigned similar roles in different service units --- all striving to accomplish the same goal --- will require a challenging shift in work culture. The ATO can no longer afford to keep the individual organization approach; it needs to start making this shift now.
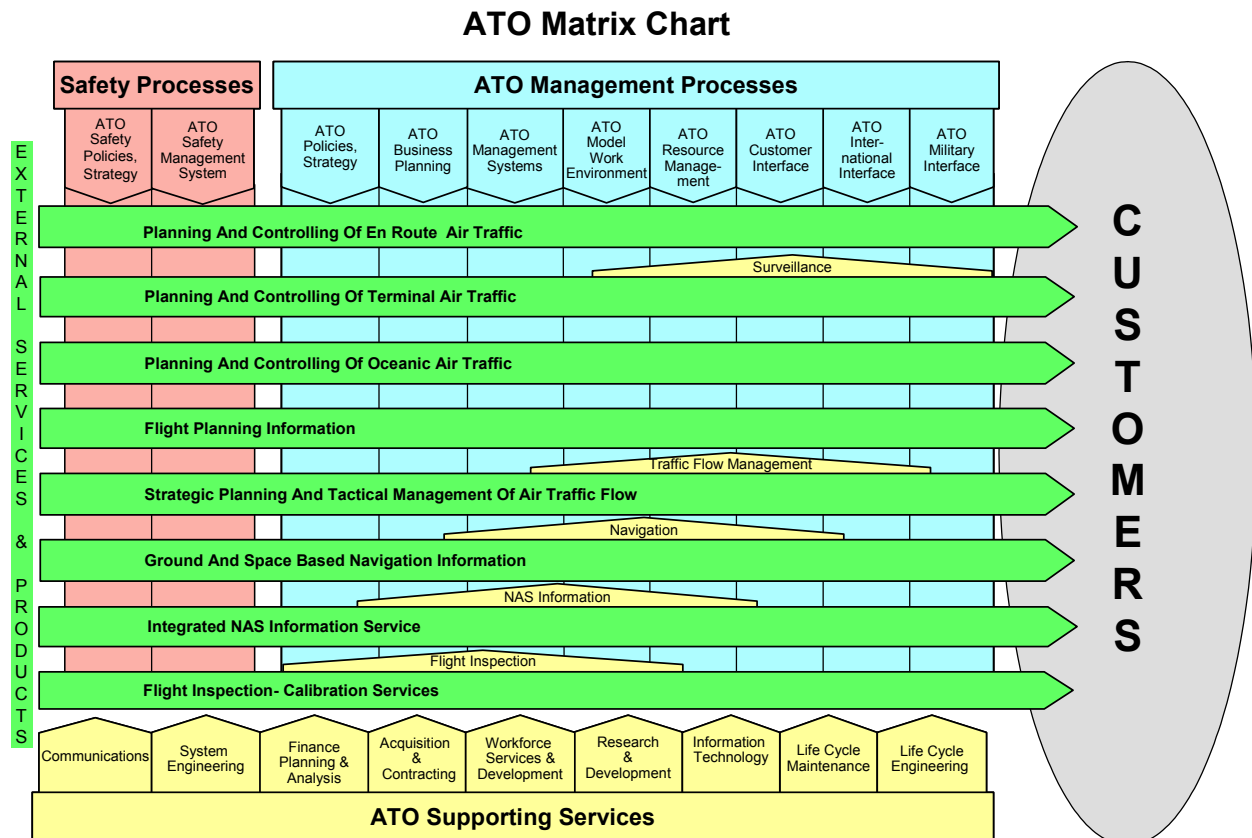
ATO Matrix Chart

The matrix chart above shows the services the ATO provides to its customers on the horizontal lines. The vertical lines going down are the safety and management processes necessary to provide the services. The vertical lines from the bottom are supporting services used to provide the services. The small arrows on the horizontal lines are internal services provided to internal ATO customers. They provide service to the horizontal service lines above them.

What will be the focus of the ATO organizational design philosophy?

The ATO will focus on providing the greatest value to our customers, owners and employees while delivering the safest, most secure air traffic services. The number of management layers between the ATO executives and the employees who have direct contact with our customers everyday is being reduced. In flattening the organization, our employees will be closer to the executives in the ATO headquarters organization where priorities are set and decisions are made. The ATO will streamline decision-making by institutionalizing better two-way communication at all levels.

What is the Implementation Strategy for the ATO?

The ATO implementation strategy is a three-phase approach that will be completed during fiscal years (FY) 2004, 2005, and 2006. Planning, communicating, and implementing refinements when necessary will be crucial to the success of all three phases of the process. Communication, a key ingredient to the ATO's success, will be ongoing throughout the ATO with all employees and their unions, with our customers, and with our owners.

Three-Phase Approach

Phase	Fiscal Year	Focus
1	2004	Realignment and Resource Management
2	2005	Control Unit Costs/ Cost Accounting
3	2006	Improve Service Value and Innovation

Throughout all three phases, the ATO will continue to make *safety* its first priority. At all levels, the ATO will continue to stress risk management as a fundamental component of airspace services.

Safety Management System
Formal implementation of the Safety Management System (SMS) within the ATO has begun. The ATO Safety service unit will work directly with the FAA Safety Oversight Office to provide safety metrics and the steps being taken to improve them; to define safety critical systems, procedures, and processes; to define the number of safety significant changes made during certain time periods and provide the process used to show that safety was assured.

The ATO Safety Service has started a several year effort to provide SMS training to all ATO executives, managers and employees responsible for the ongoing safety of the NAS. ATO employees responsible for making safety significant changes to the NAS (hardware/software, procedures, airspace, etc.) will be trained on Safety Risk Management (SRM) techniques required as part of SMS and use these techniques to prove that all identified safety risks have been mitigated prior to implementation of the change.

The FAA's SMS model is consistent with international models used by air traffic service providers in Canada, Australia, Great Britain, Germany, and many other parts of the world. SMS gives us a safety risk assessment and management process that is both formalized and auditable.

It builds upon a solid framework of safety assurance and safety promotion to support maintaining and improving FAA's strong ATC safety record.
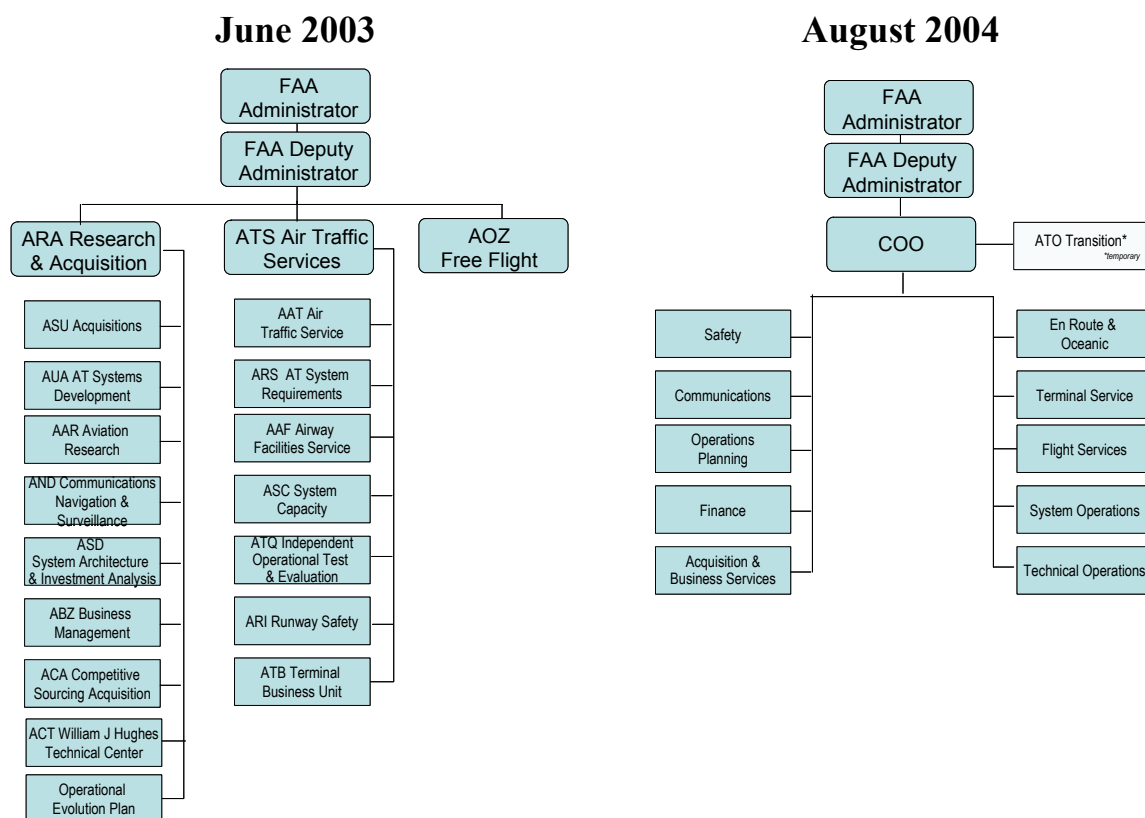
What major actions were planned for Phase 1?

There are six critical pieces in the ATO transition plan that --- although they are separate actions --- must all fit together in this first phase:
1. Reorganize around a service model
2. Change our leadership model
3. Become performance based
4. Analyze headquarters operations; baseline our performance
5. Plan for the future
6. Execute our plan

Our transition plan to a performance-based organization should reflect how the different pieces must be integrated:

1. **Reorganize around a service model.** Our first step to establish a customer-based organization was to start reorganizing ourselves around a service model rather than being a typical government entity organized around what we do. It's a "back to the basics" approach that starts with clearly defining who our customers are and the services and products they want and need from us. During FY04, the services previously provided by the offices of air traffic services (ATS), research and acquisitions (ARA), and Free Flight (AOZ) were realigned to form the ATO, comprised of ten service units.

June 2003

- FAA Administrator
  - FAA Deputy Administrator
    - ARA Research & Acquisition
      - ASU Acquisitions
      - AUA AT Systems Development
      - AAR Aviation Research
      - AND Communications Navigation & Surveillance
      - ASD System Architecture & Investment Analysis
      - ABZ Business Management
      - ACA Competitive Sourcing Acquisition
      - ACT William J Hughes Technical Center
      - Operational Evolution Plan
    - ATS Air Traffic Services
      - AAT Air Traffic Service
      - ARS AT System Requirements
      - AAF Airway Facilities Service
      - ASC System Capacity
      - ATQ Independent Operational Test & Evaluation
      - ARI Runway Safety
      - ATB Terminal Business Unit
    - AOZ Free Flight

August 2004

- FAA Administrator
  - FAA Deputy Administrator
    - COO
      - ATO Transition* *temporary*
      - Safety
      - Communications
      - Operations Planning
      - Finance
      - Acquisition & Business Services
      - En Route & Oceanic
      - Terminal Service
      - Flight Services
      - System Operations
      - Technical Operations

2. **Change our leadership model.** At the same time, we started to change our leadership model --- a long term effort to breakdown our traditional stovepipe culture into a matrixed one (see chart on page 2). In any complex operation, working well across service unit boundaries, no matter how hard, is absolutely essential to achieving success and efficiency. An ATO Executive Council has been established to manage corporately with a unified perspective. Establishment and management of the Executive Council forces horizontal integration (Appendix 3) starting at the highest levels of the ATO structure. Vice presidents are charged not only to lead their own service-based business units, but also to make decisions *together* for the benefit of the entire organization. Under the leadership of Chief Operating Officer Russ Chew, this executive council includes the ten service unit vice presidents shown below as well as Jim Link, Shirley Miller, and John L. Pipes of the ATO Transition Team.
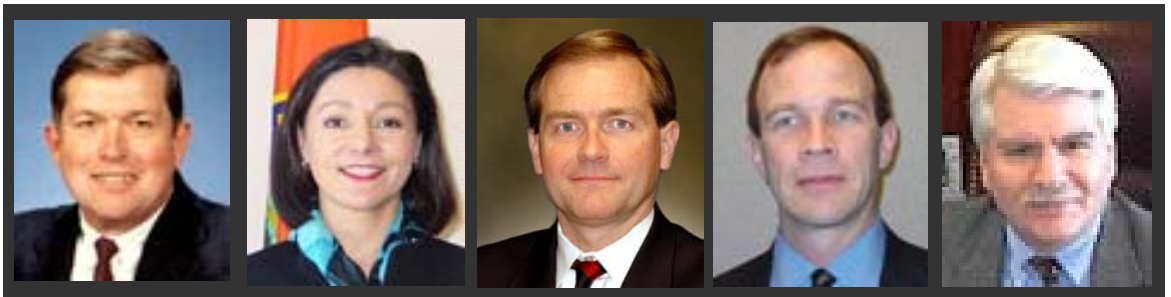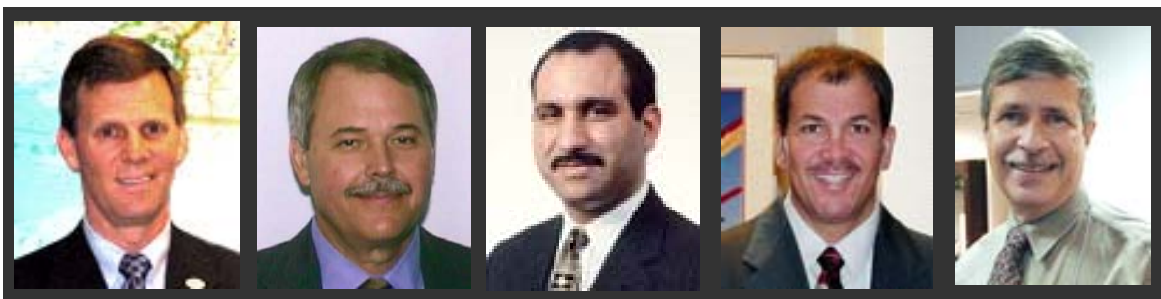
Bill Davis	Sandra Sanchez	Charles Keegan	Eugene D. Juba	Dennis DeGaetano
Vice President Safety	Vice President Communications	Vice President Operations Planning	Sr. Vice President Finance	Vice President Acquisition & Business Services

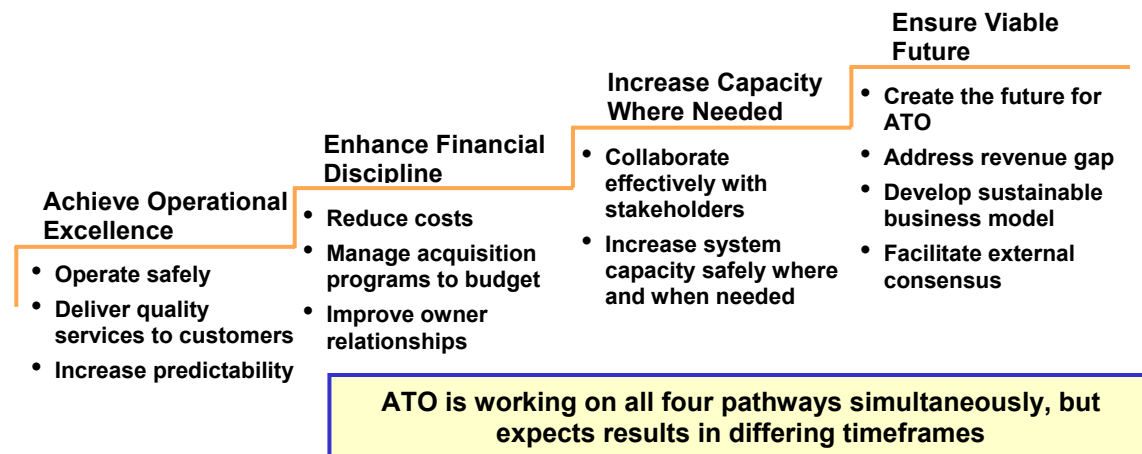| Rick Day	D. Bruce Johnson	James Washington	Mike Cirillo	Steve Zaidman
Vice President En Route & Oceanic	Vice President Terminal	Vice President Flight Services	Vice President System Operations	Vice President Technical Operations

3. **Become performance-based.** We had to create "value-based" performance metrics to become a performance based entity --- defining our performance in terms of customer needs, and connecting that with cost as a core part of its definition. Good financial management means linking our capital and operating budgets. Up to now, the FAA developed capital and operating budgets separately as "F&E and Ops." But, how we spend our capital funds has a direct impact over time on our operating costs, so they *must* be planned together. We are under extreme pressures from our owners and customers to fix this. What is less understood is that it is even more important to our own people, who want to fix things like training, staffing, pay disparities, and our infrastructure. It will be at least two years before we have the basic management processes in place to use the new financial management systems we're putting in place. In the meantime, we're going to

expect everyone to learn the difference between cost and cash flow, and to get a better handle on our unit costs as better cost accounting data becomes available. The ATO will become more fiscally responsible and manage the organization more like a business.

4. **Analyze headquarters operations; baseline our performance.** To help us "baseline" our starting point, we needed to figure out what we do at headquarters to support our people who directly deliver the service to the customer in the field. Our *Activity Value Analysis* (Appendix 5) was directed at better understanding the "overhead" we have in support of our operation, so we could start taking steps to make it more efficient and effective. The data was valuable to refining our organizational realignment (step 1), and its analysis helped us to learn where to dig deeper.

5. **Plan for the future**: Of course, these first four steps only give us the basic foundation for making changes. To figure out what we need to do as an ATO, we also have to plan ahead. We are developing an ATO comprehensive business plan that focuses on 2005 with a moving five-year horizon, with very detailed operating and financial plans that support it. A *business* plan is not a "project" plan (i.e., Operational Evolution Plan, Free Flight, etc.), but a comprehensive plan that ties together all of our operating, capital, financial, and workforce plans in great detail. In the future, this business plan will be the basis for all of our planning, spending, and performance targets.

6. **Execute our plan**. Some have heard that the vice presidents have been creating a unified "balanced scorecard." The scorecard is the heart of the Strategic Management Process that enables horizontal integration and directly links our customer, owner, and employee goals to value-based performance targets --- all the way from headquarters to the field where we deliver our services. While our long term goal is to engage all field facilities in this, we do expect to drive this down to the service area level with one or more large facilities by the end of 2004.
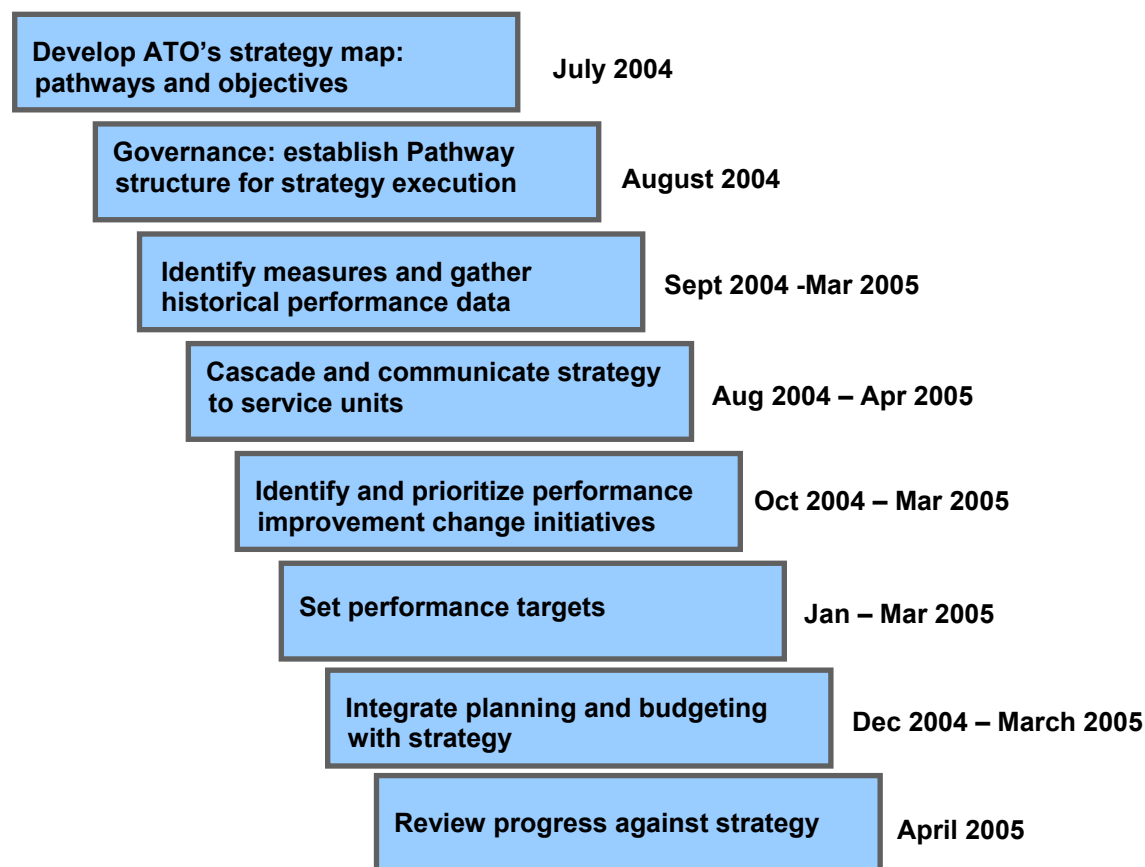
ATO has made progress in developing the Strategic Management Process

Strategic Pathways: The Executive council selected four areas for focus, called "Strategic Pathways," and identified the major issues in each.

Achieve Operational Excellence
- Operate safely
- Deliver quality services to customers
- Increase predictability

Enhance Financial Discipline
- Reduce costs
- Manage acquisition programs to budget
- Improve owner relationships

Increase Capacity Where Needed
- Collaborate effectively with stakeholders
- Increase system capacity safely where and when needed

Ensure Viable Future
- Create the future for ATO
- Address revenue gap
- Develop sustainable business model
- Facilitate external consensus

ATO is working on all four pathways simultaneously, but expects results in differing timeframes

Project plan: ATO has made strong progress in creating its SMP:

Develop ATO's strategy map: pathways and objectives	July 2004
Governance: establish Pathway structure for strategy execution	August 2004
Identify measures and gather historical performance data	Sept 2004 -Mar 2005
Cascade and communicate strategy to service units	Aug 2004 – Apr 2005
Identify and prioritize performance improvement change initiatives	Oct 2004 – Mar 2005
Set performance targets	Jan – Mar 2005
Integrate planning and budgeting with strategy	Dec 2004 – March 2005
Review progress against strategy	April 2005

Strategy development: The Executive Council has completed ATO's strategy map, developed 30 principal objectives, identified the top 20 measures it will use to monitor and manage strategy, and narrowed down to the top 10 initiatives that ATO will focus on for the next two to three years. EC members lead each of the four strategic pathways for ATO, and each is working with a cross-service unit team of directors to ensure coordination for the customers' good.

The Pathway teams are collecting historical performance data for the top 20 measures in preparation for setting targets for those measures in the first half of calendar year 2005.

Strategy reviews: Beginning in April, the Executive Council will begin regular monthly reviews of progress against ATO's strategy, and will incorporate flight plan review into ATO's monthly strategy review process.

Cascading strategy: In addition, beginning last summer, each of ATO's ten service units developed a strategy map that identified what each unit will be doing to help ATO reach FAA objectives.

Integrated planning and budgeting: Most government organizations find it a challenge to ensure that operational budgets and investment dollars are directed in ways that best advance performance. The typical disconnect between budgeting and strategic planning makes the challenge even more difficult. ATO has addressed this challenge by integrating the strategic planning, business planning, and budget formulation processes.

```
                    ┌─────────────────────┐
                    │   FAA Flight Plan   │
                    └─────────────────────┘
   … status monthly performance…        … identifies mission, vision and goals…

                    ┌─────────────────────┐
                    │  ATO Strategy Map   │
                    └─────────────────────┘
                    … gives strategic guidance to develop
                    pathways, metrics and initiatives to develop…

 ┌─────────────────────┐                        ┌─────────────────────┐
 │ ATO Executive       │                        │  Business Plan &    │
 │ Council             │                        │  Commitments        │
 └─────────────────────┘                        └─────────────────────┘
 …manages                                           … provides
 operating                                          framework
 and financial                                      to build
 performance                                        multi-year
                                                    capital and
                    ┌─────────────────────┐         operating
                    │   Budget Planning   │         budgets…
                    └─────────────────────┘
            … aligns budget spending with accountability…
```

For the FY07 budget formulation process, service units are working to recommend the most important Ops and F&E based initiatives based on the service unit's strategy (which was derived directly from ATO's strategy). ATO's four pathway teams will integrate the service unit recommendations into the best package of initiatives to improve ATO's performance in its pathway area. The Executive Council will make the final decisions to balance the investment appropriately across the four pathways. In this way, strategy will drive the formation of both Ops and F&E budgets for FY07.

Communicating the SMP strategy: A communication and cascading plan is being developed to share ATO's strategy map more fully with ATO employees.

Each pathway is further defined by objectives across four perspectives:
* **The Owner Perspective** captures the expectations of the Congress and Executive branch
* **The Customer Perspective** represents the needs of our customers (airlines, cargo, military, GA, business aviation)
* **The Process Perspective** objectives identify specific internal processes in which ATO must excel to deliver customer needs and meet owner expectations
* **The Employee Perspective** focuses on the capabilities needed in the employee workforce, ATO's culture, and infrastructure to successfully operate critical processes

identified in the third perspective. The strategic objectives in each perspective translate the strategy into practical and actionable terms that all employees understand.

What are the Major Highlights of Phase 2?

Controlling Unit Costs and Cost Accounting
During Phase 2, the emphasis will be on managing costs and enhanced cost accounting. Managers and staff are being trained to develop and manage budgets, identify and track operating costs, and reduce costs where feasible. Viable reports will be available from the cost accounting system. Capital programs, now an integral part of each service unit, will be tied to producing improved operational performance and/or reducing unit-operating costs.

The ATO will link its field-up budget requirements and justifications to a comprehensive, validated Federal Budget submission.

Completing Realignments and Improving Services
Both the headquarters and field realignments will be completed during FY05. Any necessary refinements as a result of AVA or workflow improvements will be made. The ATO will continue to improve the value of its services while stressing innovation. The importance of providing valued services to ATO customers and owners will be more evident.

Safety Initiatives
Safety initiatives and training for ATO employees will continue. Existing technical and operational evaluation processes will be streamlined and strengthened.

How will Phase 3 build on the improvements of Phases 1 and 2?

Improving Service Value and Innovation
The ATO improvements that began in FY04-05 will continue with opportunities for continuous learning and innovation. The delegation and management of the budget structure will offer flexibility and opportunities to improve services and value, while providing the foundation for the Federal Budget submission.

Planning and Flexibility
An ATO operating plan that is directly linked to the budget will be developed. Tactical and strategic planning documents will be assets in the provision of NAS services. Although the initial ATO realignment will have been completed, flexibility will provide opportunities for improvements where necessary.

Continuing to Keep Safety the Top Priority
The ATO's fundamental tenets of safety and risk management will continue to be the foundation of all its services.

What are the Transition Team responsibilities in the Implementation Phases?

The Transition Team will facilitate progress in several areas described above as they implement three primary initiatives to cultivate cultural change:

a. **Refine Organizational Alignment.** The Transition Team will coordinate with vice presidents and their directors to complete the analysis and design work needed to bring each service unit into tighter alignment with ATO mission, strategy, and objectives. With the framework provided by the ATO Strategic Management Process and using data from the Activity Value Analysis, service unit management will be in a better position to make informed decisions about reassignments, reductions, and/or needed training. (See Appendix 1 for more detail.)

b. **Develop Horizontal Integration.** The organizational design work just described will also help us identify where horizontal integration is weak or not occurring at all. With this awareness, the Transition Team will help formulate and support pilot horizontal integration projects that are defined by the executive council and service unit directors. Project leads will be empowered to pull together the resources needed for a successful integration project. (In Appendix 2, these projects are primarily found in efforts regarding Safety, Communications, and Changing the Culture, but enhanced horizontal integration is also a key outcome of the strategic management process. Appendix 3 explains horizontal integration.)

c. **Promote Employee Transformation.** In parallel with refining organizational alignment and developing horizontal integration, the Transition Team will focus on the key to cultural transformation --- the individual employee (and in this context, *everyone* in ATO is an employee). (See Appendix 4 for more detail.)

See Appendix 3 for specific activities on which the Transition Team will focus in FY 2005.

Appendix 1
Transition Goals: Phase 1 – Phase 3 (continued)

	Phase 1 - FY 2004 Realignment & Resource Management	Phase 2 - FY 2005 Control Unit Costs Cost Accounting	Phase 3 - FY 2006 Improve Service Value & Innovation
PURPOSE	• Form the Air Traffic Organization • Stress Safety and Service to Customers, Owners • *Control Costs* • Eliminate Processes that Add no Value • Move Resources to Where they Add Most Value	• **Control Costs** • Identify and Track Operating Costs • Train Managers and Staff How to Reduce Costs	• Manage Costs • Showcase Improvements and Stress Innovation • Use Flexibility and Competencies of New Organization to Improve Service and Value

STRUCTURE	• *Begin Phase 1 Alignment (HQ & Regional)*
	• Complete Activity Value Analysis (AVA) at HQ
	• Implement Service Units
	• Reduce Management Layers
	• Align Traffic Management Units into System Operations
	• Begin Technical Operations Alignment
	• Establish Safety Office
		• Integrate AVA Outcomes into Alignment
		• Take Specific Actions to Complete HQ and Regional Realignment
		  1. Resolve roles and responsibilities between ATO and HR
		  2. Standardize LR and ER processes
		  3. Officially align personnel in work units
		  4. Physically collocate personnel in respective organizations.
			• Validate and Refine Alignment where Necessary

SAFETY	• Begin implementation of Safety Management System (SMS)
	• Provide initial SMS Training
	• *Establish Safety Partnerships and Data Sharing*
		• Personal Accountability for Safety Decisions
		• Begin providing Safety Risk Management Training to NAS change agents
		• Formalize Safety Risk Management by taking specific action to
		  o Clarify Roles and Responsibilities
		  o Horizontally Integrate the Safety Service Unit into the operations of the Line Service Units
			• Assessment of Operational and Safety Benefits of National Airspace System systems

FINANCE	• Align with Service Units
	• Set-up Budget Coding
	• *Develop New Reporting Systems*
	• *Develop Service Unit Allowances*
	• Develop and Train
	  • Managing the ATO Business
	  • *Capital Budget in the ATO*
		• Strategy for Removing Budget Firewalls finalized
		• Link Requirements to Federal Budget
		• New Processes for Administrative Control of Funds
		• Develop Interim Financial Reports to Align Costs with Service Units until New Cost Accounting Systems are available
		• Implement New Cost Accounting Systems
		• Complete Phase 1 Training; Develop follow-on financial training
			• Decentralize Budget
			• Enhanced Financial Data and Reporting
			• Evaluate Cost/Benefit of Services and Functions
			• Adjust/Revise Services Based on Benefits Analysis

	Phase 1 - FY 2004 Realignment & Resource Management	Phase 2 - FY 2005 Control Unit Costs Cost Accounting	Phase 3 - FY 2006 Improve Service Value & Innovation

COMMUNICATIONS	• *Internal*
	  • *Russ E-grams, web site, Workshop, ATO Training, Meetings, Handouts/Flyers*
	• *External, Public Relations*
	  • *Customers, Owners, Congress, International*
		• Enriched Communications with Customers, Owners, Employees
		• Begin Integration of Communications Functions to Respond to Organizational Priorities
		• Begin development of Communications Plan with emphasis on the following actions
		  o Determine Appropriate Roles and Responsibilities for FAA and ATO Respectively
		  o Complete the Communications Structure with FTEs and selections.
			• Complete Integration of Communications Functions
			• Publish Integrated Communications Plan
			• Clarify roles and responsibilities of FAA vs. ATO

PLANNING	• Develop ATO Business Plan,
	  • External/Internal Use
	• Develop ATO Operations Plan
	  • Internal Use
	  • Cost/Performance Targets
	• Link Plans to FAA Flight Plan
		• Develop Process for FY06 Business Plan
		• Update ATO Business Plan
		• Develop FY06 Operating Plan
			• Complete Alignment of Business and Operating Plans with FY06 Budget
			• Enhanced Employee Participation in Planning Process

ACCOUNTABILITY	• Develop ATO's Strategy Map: pathways and objectives • Governance: establish pathway structure for strategy execution • Begin to identify measures and gather historical performance data	• Complete identification of key performance measures and gather historical performance data • Cascade and communicate strategy to service units • ID and prioritize performance improvement initiatives • Set performance targets • Integrate planning and budgeting with strategy • Begin review and analysis of progress against strategy	• Complete review and analysis of progress against FY05 targets • Recognize achievements • Modify strategy, data collection mechanisms and targets as appropriate • Review and analyze progress against FY06 targets
EMPLOYEE TRANSFORMATION	• Employee Listening Sessions • Transition Workshops • Employee Website • Baseline Survey (University of Maryland) • Managing the business of ATO 1	• **Employee Website** • Coaching for executives and managers • Managing the business of the ATO, mod 2 • Action plan from baseline survey • Employee listening sessions	• Reassess organization change process • Managing the business of the ATO, mod 3 • Employee Listening Sessions

Appendix 2
ATO Phase 2 FY 2005 Implementation
Schedule of Activities (as of April 2005)

The Transition Team is taking an active role in efforts to solidify the organizational structure and change the culture (employee transformation). The tables on the following pages provide specific activities focused on achieving these goals, as well as anticipated dates for completion. With the exception of activities associated with the "Efforts to Enforce Accountability" --- tied to the Strategic Management Process --- completion dates for all transition goals are estimated to be 9/30/05, the end of the fiscal year.

Phase 2 – FY 2005 Efforts to Solidify the Organizational Structure	Transition Team Focus Activities	Estimated Completion Dates

• Integrate AVA Outcomes into Alignment
• Take Specific Actions to Complete HQ and Regional Realignment
  1. Resolve roles and responsibilities between ATO and HR
  2. Standardize LR and ER processes
  3. Officially align personnel in work units
  4. Physically collocate personnel in respective organizations
	Establish the ATO officially through completion of the 1100 order	**5/31/05**

	Complete development and implementation of ATO routing symbols	**4/29/05**
	Develop, and clarify directives numbering system, and complete route, review and comment process	**6/30/05**
	Officially align at least 75% of employees with respective orgs. (process SF 50s)	**6/30/05**
	Physically collocate employees in respective organizations. Create a plan; identify funding; implement HQ 10 A &B	**7/31/05**
	Reach agreement regarding alignment of Air Traffic Procedures and associated roles and responsibilities of ATO line service units	**3/31/05**
	Reach agreement regarding alignment of Weather and associated roles & responsibilities of the ATO line service units	**6/30/05**
	Modify operationally significant orders/directives to align with ATO organization	**9/30/05**
	Eliminate deputies and begin transition to staff managers	**9/30/05**
	Implement transition to District Manager positions	**4/29/05**
	Standardize Human Resource processes across the Service Areas	**9/30/05**
	Standardize Area Office grievances and NEP processes	**7/31/05**
	Develop and initiate a plan to consolidate IT in Acquisition and Business Services	**9/30/04**
	Develop an Implementation Plan for service unit restructuring activities and consolidating functions within service areas	**9/30/05**
	Complete transition of obstruction evaluation and military operations into System Operations	**6/30/05**

Appendix 2 - Continued
ATO Phase 2 FY 2005 Implementation
Schedule of Activities (as of February 2005)

Phase 2 – FY 2005 Safety Related Organizational Efforts	Transition Team Focus Activities	Estimated Completion Dates

• Personal Accountability for Safety Decisions
• Begin providing Safety Risk Management Training to NAS change agents
• Formalize Safety Risk Management by taking specific action to:
   o Clarify Roles and Responsibilities
   o Horizontally Integrate the Safety service unit into the operations of the Line Service Units
	• Reach agreement regarding roles and responsibilities of ATO Safety and line service units	On-going throughout the year
		
		9/30/05

Phase 2 – FY 2005 Financial Organizational Efforts	Transition Team Focus Activities	Estimated Completion Dates
• Strategy for Removing Budget Firewalls finalized • Link Requirements to Federal Budget • New Processes for Administrative Control of Funds • Develop Interim Financial Reports to Align Costs with Service Units until New Cost Accounting Systems are available • Implement New Cost Accounting Systems • Complete Phase 1 Training; Develop follow-on financial training	• Support ATO Finance	Ongoing throughout the year

Appendix 2 - Continued
ATO Phase 2 FY 2005 Implementation
Schedule of Activities (as of February 2005)

Phase 2 - FY 2005 Efforts to Improve the Flow of Communications	Transition Team Focus Activities	Focus Activity Completion Dates

• Enriched Communications with Customers, Owners, Employees
• Begin Integration of Communications Functions to Respond to Organizational Priorities
• Begin development of Communications Plan with emphasis on the following actions
  1. Determine Appropriate Roles and Responsibilities for FAA and ATO Respectively
  2. Complete the Communications Structure with FTEs and selections
	• Support ATO Communications to flesh out roles and responsibilities of FAA vs. ATO	Ongoing throughout the year

Phase 2 - FY 2005 Efforts to Improve Planning	Transition Team Focus Activities	Focus Activity Completion Dates
• Develop Process for FY06 Business Plan • Update ATO Business Plan • Develop FY06 Operating Plan	• Support ATO Planning	Ongoing throughout the year

Phase 2 - FY 2005 Efforts to Enforce Accountability	Transition Team Focus Activities	Focus Activity Completion Dates
• Safety, Cost and Performance Goals • Performance Metrics • Achievements	• Provide Performance Goals Specific to Transition Activities\	**Feb 2005**

Appendix 2 - Continued
ATO Phase 2 FY 2005 Implementation
Schedule of Activities (as of February 2005)

Phase 2 - FY 2005 Efforts to Change the Culture (Employee Transformation)	Transition Team Focus Activities	Focus Activity Completion Dates
• Employee Website • Coaching for executives and managers • Managing the business of the ATO, mod 2 • Action plan from baseline survey • Employee listening sessions	Educate and equip managers to answer questions about what is going on	**9/30/05**
	Meet with supervisors to provide talking points and answer questions	**9/30/05**
	Create directory to facilitate communication within ATO	**5/8/05**
	Facilitate meetings with key stakeholders on ATO initiatives and status: • Employee forums • Organizational forums, i.e., MWE, SUPCOM, FAA/MA, PWC • Regional Mgt. Teams (RMTs) • Area Directors	**9/30/05**
	Meet with key cross organizational (ATO/non-ATO) representatives to identify process/ transition issues and facilitate effective solutions	**9/30/05**
	Survey the field to establish "communication effectiveness" baseline	**9/30/05**

Appendix 3

Developing Horizontal Integration
in the Air Traffic Organization

The Issue

The ATO aspires to be a system of interdependent people, technologies, and procedures working as a unified whole toward our common service goals. To realize this goal, we need to achieve a comprehensive integration of our business processes.

The challenges to making improvement in this arena are twofold:

1. **Culture of "Silos"** – Entrenched behaviors within silos continue to inhibit horizontal integration among the various silos. Silo differs from silo in what goals, functions, and behaviors are valued. Long held "Us vs. Them" perspectives undermine a sense of common purpose. Even when we acknowledge silo mentality, a strong default mode pulls us back toward silo behaviors.

2. **New Organization** – The new organizational structure necessitates new formulation of cross-functional working relationships. The "boxes" tell only part of the story. The remaining, necessary organizational connections, i.e. the working relationships that are necessary to integrate our processes, must be initiated and maintained by enterprising leadership at all levels of the ATO.

Proposed Strategy for Comprehensive Integration of Core Business Functions

1. Include relevant executive values and competencies in performance standards to foster environments conducive to horizontal integration.

2. Define the work requiring integration (using Activity Value Analysis data, ATO Strategic Management Process, Value Chains, etc.).

3. Implement change management interventions to: (i) address cultural norms and behaviors that inhibit horizontal integration and (ii) cultivate competencies for "silo-busting" coordination of people, technologies, and procedures/ processes.

    a. Enlist management to identify cross-cutting, short-term integration projects and leads empowered to form new working relationships as needed.

    b. Coaching for managers and integration project leads for effectiveness in desired competencies and behaviors.

    c. Dialogues designed to help project members honor, challenge, and transcend the cultures of silos.

d. Embedded change agents to help normalize day-to-day behaviors on the management-sponsored integration projects.

    i. Languaging a new world (the "kingdom" of ATO rather than the "fiefdoms" of silos).

    ii. Meeting management (adherence to right purpose, outcomes, participants, conversations for coordinated action).

    iii. Working through residual "culture wars"

ATO Strategies for Integrated Work

There are specific strategies and objective descriptions in the ATO Strategy Map (Draft – July 1, 2004) that point clearly to the need for horizontal integration. For example:

- Create matrix communication, planning and execution behaviors
- **Collaborate effectively** with customers, owners, and other strategic partners
- Capacity enhancements require the **coordinated efforts of multiple parties**.
- ATO will work to increase **collaboration skills** among those doing capacity enhancement work, and apply those skills to drive better outcomes.

Within the graphic depiction of dependencies in the strategy map, one can see these behaviors drive critical business outcomes for ATO.

Define the Work Requiring Integration

The Transition Team has already developed a representation of the organization that maps discrete functions to organizational "boxes." It shows junctures within ATO where horizontal integration needs to occur. We also have some assessments of where it is happening and where it is not, where people know they have to integrate work and where they still believe it is in their best interests to operate independently.

For example, as Vice President's and Directors look at the organizational implications of AVA data, they will address "Deep Dive" themes suggestive for horizontal integration, e.g.: "Inconsistent approach across service units (15 findings); function/organization too spread out (9 findings)." The findings associated with these themes may point to specific areas of work in need of integration.

Further, there is also work that needs to be integrated at lower levels of the organization (silos within Silo) – true *horizontal* interactions that are currently weak or not happening at all. The most effective identification of these needed interactions occur locally. (The change management interventions described below are designed to help leaders identify these needed interactions throughout the organization and take initiative to integrate interdependent functions.)

Some criteria for determining which horizontal integration "playing fields" stand in greatest need of intervention are:

- How critical to ATO strategies and executive performance standards requiring horizontal integration?
- Where are greatest opportunities for value to customer in defining a systems solution requiring cross-functional participation? (For example, procedural changes combined with technology insertions among multiple subsystems of the NAS.)
- How engrained are the silo cultures encompassed by the proposed playing field?
- What is the potential for transcendence of silo culture (from employee's perspective, the opportunity to be part of something bigger than myself and my local "tribe")?

Selection of work to be integrated along with respective playing fields is the occasion for baselining current performance ("As Is") and defining success criteria with appropriate measurements ("To Be"). The quantified improvement in service between "As Is" and "To Be" divided by the cost of proposed change management interventions becomes the ROI for any horizontal integration project. (As alternative interventions are considered, cost per alternative affects ROI. Interventions can include leadership coaching, training workshops, short-term project team consultants, offsite costs, etc.)

Continued Change Management Participation on Integrated Project Teams

Our experience in organizational development has shown that even the best workshops and off-sites cannot produce desired changes without effective follow up. For that reason, we recommend embedded observers/change agents as temporary members of horizontal integration project teams.

The change agent's role is to normalize day-to-day behaviors on management-sponsored integration projects. The change agent will be alert to language used, since language is a powerful shaper of the realities we work in. The change agent will also help with meeting management – to ensure right purpose, right outcomes, right participants, and effective conversations for coordinated action. Finally, the change agent will be alert to residual "culture wars," and influence dialogue that leads to win-win solutions.

Appendix 4

Employee Transformation

The following represents the specific transition strategies for the Phase Two and Three of our Implementation Strategy: Organizational and Behavioral Change: Employee Transformation.

The Issue: Originally this strategy was focused on existing **Executive Management.** Historically research suggests that the most significant factor in an organization's successful transformation is strong focused leadership at the top. In many organizations the changes needed are identified and then leaders "coached" to new behaviors and practices. However, the ATO approach is different for several reasons:

1. We are an entrenched government agency with little turnover and almost all of the leadership represents 30 plus years of service to a particular management model.

2. Research also suggests that it is difficult if not impossible to change the attitudes and behaviors of older, senior executives who have been successful based on a series of practices and behaviors.

3. The exception to the above statement is when there is a compelling financial need as can exist in the private sector when a company will go out of business and the livelihood of the senior executive is threatened.

4. There is little compelling need for most senior executives to change behavior, many are near retirement and continue to be rewarded for "status quo" behavior.

5. The financial systems necessary to drive *fiscal* behavior change will be delayed.

6. There is sufficient research to suggest cultural change can occur by building critical mass at the mid management levels.

7. The ATO is engaged in a research project with the University of Maryland School of business to test the hypothesis that with the buy in and support of middle managers cultural change can be effected.

Proposed Strategy for Approaching Organizational and Behavioral Change

1. Use the data from the University of Maryland Survey to determine interventions that will lead to desired changes in behavior that lead to cultural change.

2. Develop the "drip" approach to behavioral change described as deliberate development of a critical mass of employees who demonstrate new behaviors.

3. Require all new executives to be "coached" for one year on ATO values and behaviors as a part of their performance plan.
4. Initiate "Train the Coach" workshops for manager by invitation.

5. Offer seminars and workshops to employees to further create a critical mass of employees who understand and can demonstrate ATO values and cultural norms.

In the early phase of the transformation, ATO will need to focus on the following:

1. Define clearly in leadership terms the cultural values of the ATO.

2. Develop processes and interventions that link to the above.

3. Use existing forums such as "MWE" seminars to begin to demonstrate cultural behaviors.

4. Identify a cadre of internal coaches to work with the Transition Team on providing coaching to internal managers and new executives.

5. Identify potential external funds for fuller development of the program.

One key element in the transformation of the workforce is communications. The Transition Team will be offering the following in order to facilitate the change process:

1. Workshops in managing transitions for both employees and managers

2. Listening sessions

3. Participation in the baseline survey

4. Assisting in the development of action plans in order to facilitate a more successful transition

Appendix 5
Activity Value Analysis
Summary of AVA Status Report

BACKGROUND

The AVA focused on an analysis of ATO "headquarters" organizations located in Washington DC, the William J. Hughes Technical Center located near Atlantic City NJ, and the Mike Monroney Aeronautical Center located in Oklahoma City OK. AVA commenced in January 2004 and finished in July 2004, with several "deep dives" continuing thru September.

The status of the AVA recommendations and what the ATO is planning to accomplish with that AVA information is summarized below:

Acquisition & Business Services:

The AVA made recommendations regarding improvements in the ATO's acquisition processes. The most fundamental recommendation was that the ATO needed to establish and ensure that corporate level priorities are applied at the Joint Resources Council (JRC) and Executive Council Levels.

- JRC reviews are more rigorous. Upgrade projects are subject to investment analysis before money is allocated to the project. Policy is consistent with the requirements of the Office of Management and Budget Exhibit 300's, which require continual update of investment analysis throughout an acquisition entire life cycle

The ATO has established an integrated training organization to improve and sustain workforce capabilities by developing the behaviors, knowledge, and skills that support ATO business performance.

The Office of Workforce Development has recently developed a Training Integration Plan; is increasing communication and coordination with the Managers of Administration (MOAs); has supported definition of metrics for the Strategic Management Process and is providing information to stakeholders about our performance in a timely, consistent manner; and is actively supporting the implementation of the electronic Learning Management System (eLMS), which will increase the integration of training infrastructure across the ATO

Terminal

Finding: Workflow is lengthy, involves considerable inter-organizational coordination resulting in cost and cycle time inefficiency, and lacks performance management monitoring.
     Interviews to access deficiencies have started.

Engineering Support Finding:
Inconsistent Service Unit alignment for second-level engineering support resulting in a lack of system/product ownership.
     Interviews to access deficiencies have started.

System Operations

Finding (on Airspace Design and Management): Special Use Airspace Management System (SAMS) does not provide sufficient data to support the potential benefits of increased access to blocks of military airspace.

> System Operations is working to ensure that the Air Traffic Organization has a process that provides real-time, accurate information about special use military airspace; then, they will initiate a study to quantify National Airspace System (NAS) capacity gains through increased civilian usage.

En Route and Oceanic

Finding: Hardware & software modifications often arrive at field locations prior to the delivery of supporting documentation, increasing the risk of implementation failure and stretching out the total modification cycle time.

> En Route & Oceanic is exploring an Interactive Electronic Technical Manual to replace the volumes of documents when new products are introduced.

Finding: Inconsistent alignments for second-level engineering support resulting in a lack of system/product ownership.

> En Route & Oceanic is reassessing the next level down organizational structure and processes to eliminate stovepipes and redundant processes between developmental engineering, first-level support, second-level support, and testing.

Technical Operations:

Finding: Evaluate Periodic Flight Inspection Frequencies

> The study is currently assessing whether safety can be maintained if flight inspection frequencies are extended. The working group has completed a model for collecting and analyzing NAVAID data and determining appropriate flight inspection intervals. Intervals may be able to be extended on GPS RNAV procedures.

Finding: Involve Procedures Development/Flight Inspection in NAS Acquisition

> Work breakdown structure has been approved pending posting on the FAA Acquisition System Toolset (FAST).

Finding: Inconsistent processes exist to capture, report and track system outages and field requests for restoration that are not followed.

The National Operations Office will combine the two help desk operations in the Air Traffic Control System Command Center in February 2005. Consolidation will align processes and tools and will provide cost efficiencies.

Finding: Customer Interface/Customer Feedback

The National Airway Systems Engineering Office (NASEO) (formerly AOS-200), Technical Operations Support, has published a project priority list of NAS system issues for supported systems within surveillance, navigation & landing, weather radar, weather sensors, and weather processors on an intranet website. The project priority list is built from an active interface to NASEO's Data Management System (DMS).

Finding: Review documentation processes to consistently leverage technical solutions to reduce the time needed to deliver supporting documents to the field.

A consolidation strategy and implementation concept was developed based on review of requirements, procedures and existing toolsets. Preliminary costs of ownership estimates for a "Consolidated Concept" implementation have been identified.

Finding: Support the Configuration Management (CM) Process and improve compliance:

A CM Process Improvement Team has been established and is focusing on developing and implementing process improvements that will streamline and improve the change management and configuration status accounting functions. A CM Training Program is being developed to focus on CM training and awareness briefings.

Communications:

This service unit is now coordinating with the other Vice Presidents to determine how best to align communications products and resources and consolidate some of the communication process to save costs for the ATO and send consistent messages.

Operations Planning:

Finding: Identify a point of contact in the ATO to coordinating weather activities. It also recommended developing a master plan for weather activities.

Operations Planning Service is establishing the NAS Weather Office. This office will function as an internal and external focal point for NAS weather and be responsible for working closely with the ATO line organizations and other appropriate FAA lines of business to implement processes to prioritize and manage NAS level weather strategies, R&D priorities, needs, and requirements. A strategic plan for aviation weather will be developed to address the relationships and focus of NAS level and domain specific weather activities, as well as the roles and responsibilities of weather stakeholders.

Finance:

Finding: Funding for FAA programs not related to program performance. The Budget formulation and execution process lacks strategic guidance. The F&E, OPS, R&D and AIP budgets are not correlated. The support tools for these processes are not standardized.

> The Capital Investment Team (CIT) was established and now reviews all Capital (F&E) projects. The Office of Finance is currently building the FY-07 OPS/F&E budget using the Strategic Management Plan (SMP) process. The Office of Finance created the Integrated Financial Analysis Team (IFAT) that is co-chaired by the Vice President of Finance and the Director of Operations Funding and includes all ATO Comptrollers.

OBSTACLES

The ATO is motivated to implement as many of the AVA recommendations related to the operational improvements in service and increases in operating efficiency, as resources will allow. Service units are encouraged to exhibit matrix behavior in all on-going activities as a way to reduce the time required and resources needed to complete required work. This requires a culture change that will take years to develop.